UNITED NATIONS

World Chronicle

PROGRAMME: No. 583, recorded 23 February 1995

GUEST: **YVES BERTHELOT**
Executive Secretary
United Nations Economic Commission for Europe

JOURNALISTS: David Usborne, *The Independent*
Tuyet Nguyen, United Press International

MODERATOR: Michael Littlejohns

ECONOMIC COMMISSION FOR EUROPE

YVES BERTHELOT, Executive Secretary of the United Nations Economic Commission for Europe, elaborates on the nature and the different activities of the Commission in the post-cold war era. It provides technical and economic assistance to Eastern European countries and former Soviet republics as they make the transition from centrally-planned to market economies. The Commission arranges for government representatives to meet and share their countries' experiences in economic development. Mr. Berthelot emphasizes that the Commission does not interfere in the internal affairs of any country, on either the economic or political level.

WORLD CHRONICLE is produced by the Media Division, Department of Public Information, United Nations, New York, NY 10017, U.S.A.

Duration:	28:03"
Executive Producer:	Kamil Taha
Director:	Livingston Hinckley
Production Assistant:	Ellen McGuffie

ANNOUNCER: From United Nations Headquarters in New York, this is **World Chronicle**, an unedited interview programme about major global issues. Here now to introduce our guest is the host of today's **World Chronicle**.

LITTLEJOHNS: I'm Michael Littlejohns, and this is **World Chronicle**.

For more than four decades, Europe was divided by two opposing political and economic systems. But since the collapse of the centrally-planned economies of the former Soviet Union and central European countries, a wave of political, economic and social changes has swept over Europe. This dramatic situation has created immense challenges for all the countries of the region, as well as for international organizations. One of them is the United Nations Economic Commission for Europe, to which many countries have turned for solutions and practical assistance.

Our guest today is Yves Berthelot, Executive Secretary of the United Nations Economic Commission for Europe. Joining me to talk with Mr. Berthelot are David Usborne of the Independent and Tuyet Nguyen of United Press International.
Mr. Berthelot, welcome to **World Chronicle**.

Looking at the literature that we've been provided with for this programme, I see that there are 55 member states of the Commission, and although you call yourselves the UN Economic Commission for Europe, we have countries like the United States, Canada, Israel, Azerbaijan, and so on and so forth, which are not exactly European countries. Isn't it time that you change your name?

BERTHELOT: We have been the Economic Commission for Europe for the last 49 years, and since the beginning the United States and Canada were members of the Economic Commission for Europe, exactly as the same two countries were members of OECE, which is the predecessor of OECD.

LITTLEJOHNS: OECE is what? What do those initials stand for?

BERTHELOT: The Organization of Economic Cooperation for Europe, which was sent up in order to implement the Marshall Plan. And so the members were the Europeans and the United States and Canada, who were helping the European countries who were members. Similarly, when it was decided in the framework of the United Nations to create a regional commission after the war to facilitate a dialogue between the different countries -- those who won the war and those who lost the war -- and to rebuild Europe, it was decided to have the United Nations and Canada together with European countries.

LITTLEJOHNS: And Israel got in because of the political situation, I take it, in the Middle East?

BERTHELOT: Israel got in recently, less than 10 years ago, because Israel

was -- it would have been difficult for Israel to be a member of ESCWA [Economic and Social Commission for Western Asia], which is the regional commission for Middle East countries, and it was finally decided, with the agreement of the USSR, that Israel would join the Economic Commission for Europe. We hope that we will keep Israel involved, but also that Israel will soon be able to join ESCWA.

LITTLEJOHNS: David Usborne?

USBORNE: Well, as I understand, the ECE's role for many years during the cold war was partly as a kind of bridging organization between the eastern and western halves of Europe. Now that the cold war is over and many of those eastern countries are working towards market economies and so on, is your job over? Or is the opposite true, is the ECE becoming more relevant to those countries?

BERTHELOT: I would say that the ECE is even more relevant. One of the first results of the end of the cold war is that we can go into more depth in the debate and dialogue between the two parts of Europe. Before the end of the cold war what was important was the exchange of information, and also some effort to agree on some norms and standards in the area of environment. But since the end of the cold war it is important to integrate economies in transition into the world market economy, and we are a place for doing that. How do we do that? We do that, first of all, by elaborating common norms, standards and conventions in the area of trade, in the area of environment, in the area of transport. But we do that also by assisting economies in transition in their progression to market economies. And we don't do that by telling them, "You should do this, you should do that." We share examples of what has been done elsewhere in the area of privatization -- in the United Kingdom, in France, in the Czech Republic -- that can be of interest for newly independent states. And the fundamental role we have is certainly to help countries in transition to develop their own policy of reforms. It's extremely important that a country internalize its policy. I mean by that that it makes the policy its own policy, not a policy which is imposed from outside because it is linked to some grant or some loans. So I think that is our role today.

NGUYEN: Mr. Berthelot, the break-up of the Soviet Union and the increasing number of countries that rely on your help have also increased the difficulties that you have to face. I'm wondering whether you are able to handle the difficulties and demands of those new States that used to belong to the Soviet Union and which used to follow one direction but which follow different directions now.

BERTHELOT: We are certainly not able to solve all the problems for them. And no country in the world can have its problems solved from outside. What we can

do is to bring them elements for solving their problems. And it's what I said when we presented elements of policy. Let me give you a concrete example which interests some countries, although not all of them: coal mines. Coal mines have had to be closed because there is over-production in the world, and some are not competitive in a market economy. They have to be closed. What does the Economic Commission for Europe do? We invite people of the interested countries to meet together and to share the experience of the United Kingdom, the experience of France, the experience of --

LITTLEJOHNS: Which was -- the experience of the United Kingdom -- they closed down a lot of coal mines.

BERTHELOT: Yes, exactly. As France did, as Germany did, as Belgium did. We tell them, "Look, these four countries, they have closed their mines in completely different ways."

LITTLEJOHNS: What do you mean, each country has closed its mines in a different way from the others?

BERTHELOT: In a different way from the others, with different support policies, different ways of taking care of the workers and so on, different ways of trying to create new activities in the same area. We will not tell you what to do, but here you have some examples. But to answer your question -- it's a partial answer to your question -- the partial answer is we cannot do things for the country, but we can help them decide.

The second thing is that, because there are so many areas in which a given country has to make changes, all Governments agree together that we will concentrate on a few sectors of activities, the sectors they consider more important than others. And we are working in the following areas, which are priority areas: transport, economic analysis and macroeconomic policies, statistics, environment, and trade facilitation. We have other activities -- energy, agriculture, more general trade -- which are not areas of as high priority. But we try to concentrate on issues where we can bring something. I gave you one example, I can give others. And second, I would like to add that we work as a secretariat, but the main workers are the Governments themselves. We have a lot of experts coming from different Governments, and they exchange views among themselves. What is important in energy? It's certainly that we try to prepare some good papers, that we give good advice on pricing. But what is also important is that the people in charge of energy policy in Azerbaijan meet the people in charge of energy policy in western countries and their counterparts in other countries. So we help to create networks of people working in the same area, and we offer them a forum to exchange their views and their common problems.

NGUYEN: You know, in Russia, for example, the economic infrastructure has almost collapsed; the health system has collapsed; unemployment has risen. And Ukraine has collapsed entirely. I wonder what experience they have collected from your Commission that could be applied fast enough to really redress the situation before a calamity falls upon them.

BERTHELOT: You see, an error which was made, unfortunately, at the beginning of the transition period was to believe that it could be done overnight. And, I have to say, I am proud that my institution warned that there's no possibility of changing the mentality, of changing the behaviour, of establishing new institutions, of creating new laws overnight. But that was believed, and because of that, the support from the rest of the world was designed for a short period, or was not conceived in a long-term perspective, as the Marshall Plan was. And second, the expectations of the population were very high, because they thought that in a few months or in a few years things would improve. Unfortunately, that has not been the case, in particular in Russia and in the newly independent states from the former Soviet Union. In central Europe, there is an upturn; things are improving.

USBORNE: Was that also true of Poland, where politically things seem to be shifting a little bit back leftwards? I'm wondering whether you're discovering, as the new reality sets in, that some of the countries are wondering whether politically they've moved too quickly as well.

BERTHELOT: Well, I would say that I think it is reassuring to see the movement of the population, because it's an indication that democracy is better rooted in these countries than we could have expected. People expected a lot. They were disappointed. And they show it, but they show it through elections. Of course, those who lead the campaign say, "We will solve the problems, we will slow down the reforms", and so on. But that was to win the votes. Now that they are in power, they continue the process of reform. They stick to a policy which will lead the country to a market economy. And I am pleased to see that democracy is working.

LITTLEJOHNS: This is **World Chronicle**. Our guest is Yves Berthelot, Executive Secretary of the United Nations Economic Commission for Europe. Dave?

USBORNE: I'm wondering whether you are frustrated in your office in Geneva at the amount that is being done of the kind of work you do, the kind of nitty gritty of helping countries cooperate with each other, getting the statistics right. There's a lot of money being poured into that part of Europe, but maybe you feel not enough and not in the right sort of directions.

BERTHELOT: There has not been so much money put in Europe. And as for

the Economic Commission for Europe, I think you should have an idea of it. It's only 200 persons, in total. So, again, it works because we invite Governments, and the Governments meet together and produce concrete advice and so on, and policy recommendations. But my view on the resources provided to the list, if I have to make one criticism, is that it was not conceived in a medium-term perspective, as I said, and that the countries were not asked to plan on how they wanted to use the money, or to have a credible view, a global perspective of what they wanted to do and what they wanted to achieve. It was expected that the market would do everything; the reforms were not planned. And today we see the weakness of that. For instance, nobody thought that the reform of financial institutions was as important as it is. And now, the reform of financial institutions is starting, and it's too -- it's never too late, but it should have started at the very beginning. At the very beginning people thought "We have to liberalize prices, we have to balance the budget, we have to make some macroeconomic policies." The structural changes were relatively neglected. And institutions -- changes in institutions started, but for curious reasons these changes in financial institutions came late. I think if an effort had been made to think about what should have been done, it would have been better. So that is the first, the main criticism I would make of the external support.

LITTLEJOHNS: The advice that you give to the former Soviet republics, for example, is only offered in response to requests; or do you sort of lecture them, push it in their direction?

BERTHELOT: No, we certainly do not give advice if the advice is not requested. But I think we have to see that we have two ways to help countries. One way is the one you mentioned: If a country asks us something, we try to answer their question. We give policy advice in this case. But we do that very, very little. We don't do that, mainly.

LITTLEJOHNS: In the case of the coal mines, for example, did they ask for your advice?

BERTHELOT: Absolutely, they asked. But to answer your question more precisely, we have organized over the last four years 140 seminars similar to the one I mentioned on coal mining. But that's one type of activity. There is another one, which is inter-governmental meetings. In inter-governmental meetings, people discuss, for instance, energy policy, price policy in the energy sector. And it is interesting, for instance, that -- I saw that some countries were given the advice that energy should not be subsidized. I think that was said by the World Bank, the IMF, and so on. And they integrated this idea. But they had not started to have a pricing policy for energy. And here again we say, "Look at the pricing policy of energy in the United States, look at it

in France, look at it in Germany." They are completely different pricing policies. So we show them that they have an instrument with which they can favour one sector of activity against another, or encourage the productive sector against the consumer, or facilitate the situation of the consumer. They can invite and incite all actors to save energy, because the prices are higher. So we show them that there are different policies, and what the pricing policy in energy can be, and how they can use this instrument in order to achieve their goal. Again, we don't tell them what they should do. But through inter-governmental debate, where the different western countries and eastern countries say, "We conceive our energy policy in that way", they can exchange views and come to a decision.

NGUYEN: Mr. Berthelot, on the political side, do you think the political situation in central Europe and eastern Europe is stable enough for you to carry out economic reforms?

BERTHELOT: I would say we don't carry out the reforms, the Governments carry out the reforms.

LITTLEJOHNS: But you advise them.

BERTHELOT: But we advise, or we offer them elements for making their own policy. I think certainly the situation is more stable in central Europe than it may appear in some countries, or in the former Soviet Union. And it's certain that the uncertainties are a factor which negatively affects the pace of reform. I think in Russia, for instance, one of the main weaknesses is little credibility of the reform programme of the Government, little credibility vis-a-vis the outside world, and little credibility internally. And why is there little credibility? Not so much because they don't know what they should do, but because parliaments have some views and Governments have other views, such that the Governments appear to be divided. So it's a situation in which we can say on one hand that it's very good that people have different views, but the authority is not strong enough to decide on a policy and to stand for it sufficiently. So, yes, the uncertainty and weakness of Governments in some cases are obstacles to --

NGUYEN: Which countries and which Governments are doing better than others?

BERTHELOT: No, it's not the role of the Economic Commission for Europe to distribute prizes!

USBORNE: Gold stars?

[LAUGHTER]

BERTHELOT: But it's clear that in central Europe the situation is more stable, the path of reform is well established. They recognize that they have been a little bit

slow in financial institutional reform, but they are undertaking it. I would say the same for the Baltic States, which have also undertaken serious reform. It's the very beginning of reform in the former Soviet Union, at least in the newly independent States. In the Soviet Union, the reforms started at the very beginning but were not continued and pursued in a consistent manner.

USBORNE: The other European institution, which resides in Brussels rather than Geneva, is the European Union. I'm wondering how much, at the end of the day, when these countries -- of central Europe in particular -- are looking forward and planning their standards and norms, how much they're thinking in terms of the European Union more than anything else, which of course is organizing association agreements with those countries, and whether their aim is really to join the European Union, which would presumably provide them with many of the frameworks they're now looking for. And I'm wondering how important you think it is for these countries that they have the prospect down the road of membership in that Union.

BERTHELOT: It's extremely important politically, and gives them a line to go in a direction and stick to it, whatever the political party in power.

USBORNE: And has the European Union given sufficient encouragement to them, do you think?

BERTHELOT: The European Union has signed a lot of bilateral agreements which are encouraging; the European Union has improved market access to its own market for these countries. There are still obstacles, and they complain about the obstacles, but progress is regularly being made. But implicit in your remark may be the question, "What are you doing which could not be done by the European Union to help these countries?"

USBORNE: Well, I was wondering.

BERTHELOT: I would say in terms of -- because you started with norms and standards -- I think the game is fairly played. We have an advantage vis-a-vis the European Union, which is to be a neutral forum. All the member countries are there on an equal footing. And when they negotiate something, the outcome is considered by all the member countries as something to which they agree; it's not something which has been imposed on them. So now, within this framework, every member plays his game, and the Union is a big player. The United States is another big player. And I would say that many norms have been established in the Economic Commission for Europe which thereafter have been translated within the Union into directives for the Governments of the Union, member Governments of the Union. And sometimes the ratification and the final agreement by European Union countries takes more time because it has to go

through Brussels, which has to translate the agreement into directives. But it works that way. So sometimes we are the place where things are elaborated. Take one example: sulphur. We established a Convention on Air Pollution. In the framework of this Convention there is a protocol on sulphur emission. The idea was to reduce the production of sulphur by 30 per cent. And it was negotiated within our Commission, and it has been achieved.

LITTLEJOHNS: Mr. Berthelot, on that achievement, that's all the time we have. Thank you for being with us on this edition of **World Chronicle**.

Our guest has been Yves Berthelot, Executive Secretary of the United Nations Economic Commission for Europe. He was interviewed by David Usborne of the Independent and Tuyet Nguyen of United Press International. I'm Michael Littlejohns. Thank you for joining us. We invite you to be with us for the next edition of **World Chronicle**.

* * * * *

Transcripts of the programme may be obtained free of charge by sending a stamped, self-addressed envelope to: **World Chronicle**, United Nations, Room S-827, New York, New York, 10017, USA.

World Chronicle is broadcast worldwide and features guests whose work is concerned with major global issues. This programme is a public affairs presentation of this station from United Nations Radio and Television.

Additional information material about the United Nations can be obtained by writing to the Public Inquiries Unit, United Nations, Room GA-57, New York, New York, 10017, USA, or the UN Information Centre in your country.